

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN**

In re	)	
	)	Chapter 9
CITY OF DETROIT, MICHIGAN,	)	
	)	Case No. 13-53846
Debtor.	)	
	)	Hon. Steven W. Rhodes
	)	

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**SUPPLEMENTAL STATEMENT IN SUPPORT OF  
THE MOTION OF SYNCORA GUARANTEE INC. AND  
SYNCORA CAPITAL ASSURANCE INC. TO (I) CONTINUE  
HEARING TO CONSIDER CONFIRMATION OF DEBTOR'S  
PLAN OF ADJUSTMENT AND (II) EXTEND RELATED DEADLINES**

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Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, “Syncora”) hereby file this supplemental statement (this “Supplemental Statement”) in further support of the motion to continue the hearing to consider the confirmation of the Debtor’s proposed Plan to September 29, 2014 (approximately 45 days from the currently scheduled hearing), and to extend certain related pre-trial deadlines [Docket No. 6136] (the “Continuance Motion”).<sup>1</sup> In further support of the Continuance Motion, Syncora respectfully states as follows:

**The Continuance Motion and the Related Notice**

1. On July 18, 2014, Syncora filed the Continuance Motion, seeking to adjourn the confirmation schedule by approximately 45 days because the City has

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<sup>1</sup> Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Continuance Motion.

yet to provide significant Plan-related documents, all of which are essential to parties' (and the Court's) evaluation of the Plan. Further, the City failed to complete document production by the Court-ordered June 20 deadline and has since produced thousands of documents that Syncora has had to review.

2. On July 23, 2014, this Court entered a notice regarding the Continuance Motion, concluding that "it is appropriate to resolve Syncora's motion to continue hearing and extend deadlines after the Debtor files its next amended plan" and holding the motion in abeyance. *Notice Regarding Syncora's Motion to (I) Continue Hearing to Consider Confirmation of Debtor's Plan of Adjustment and (II) Extend Related Deadlines* (Dkt. # 6136) [Docket No. 6227] (the "Continuance Notice").

**New Need to Address Further Briefing and  
Depose Additional Proposed Witnesses**

3. While all parties in this case waited for the Debtor's amended Plan (filed just three days ago) [*see* Docket Nos. 6257, 6258], the Debtor itself agreed to extend confirmation-related deadlines for certain parties, and Syncora now files this Supplemental Statement because these extensions further support the Continuance Motion.

4. Specifically, on July 21, 2014, the Court approved a stipulation among the Debtor and the Detroit Retired City Employees Association (the "DRCEA"), the Retired Detroit Police and Fire Fighters Association (the

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“RDPFFA”), Donald Taylor, individually and as president of RDPFFA, and Shirley V. Lightsey, individually and as president of DRCEA (collectively, the “Retiree Association Parties”). *See Order Approving the Stipulation Modifying the Deadline for the Retiree Association Parties to File Their Brief in Support of Confirmation of the City’s Plan for the Adjustment of Debts* [Docket No. 6151]. The stipulation extends the deadline for the Retiree Association Parties to file and serve their brief in support of confirmation of the proposed Plan to July 29, 2014 (from the original date of June 20, 2014). The stipulation also provides that the Retiree Association Parties may file and serve their brief in response to supplemental objections that are filed against retiree claims by August 8, 2014.

5. Further, on July 23, 2014, the Court approved a stipulation among the Debtor and the American Federation of State, County & Municipal Employees, AFL-CIO, and Subchapter 98, City of Detroit Retirees and its affiliated Detroit local unions (collectively, the “Union”). *See Order Modifying Certain Deadlines for AFSCME Regarding Plan Confirmation* [Docket No. 6226]. The stipulation commits the Union to supporting the proposed Plan and extends the Union’s deadline to file witness lists and a brief regarding the potential confirmation to July 29, 2014—***over a month later*** than certain similar deadlines already established by the Court.<sup>2</sup>

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<sup>2</sup> Under the schedules previously established by the Court:  
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6. Finally, on July 22, 2014, Syncora received three expert reports by Stuart I. Wohl, Howard Atkinson, Jr., and Kim Nicholl, respectively, on behalf of the Retiree Committee in support of the Debtor's proposed Plan—*two weeks after* the deadline established by the Court.

7. To prepare for trial, Syncora and other parties will need to analyze the expert reports recently filed, consider any further rebuttal to the City's proposed Plan based on such reports, and depose the expert witnesses. Syncora and other parties will also need to evaluate any additional briefing and depose (or consider deposing) any new witnesses named in any future witness-list filings by the Retiree Association Parties and the Union (as well as any other party afforded similar relief from the deadlines established by the Court's Fifth Amended Order). Syncora respectfully requests that the Court take these facts into account in

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- May 12, 2014 was the deadline to file objections to the proposed Plan;
  - May 26, 2014, was the deadline for the City to file any responses to objections;
  - June 20, 2014, was the deadline for all parties to file amended witness lists; and
  - July 8, 2014, was the deadline for the City and parties supporting confirmation to file their lists of expert witness (and to serve copies of expert reports).

*See Fourth Amended Order Establishing Procedures, Deadlines, and Hearing Dates Relating to the Debtor's Plan of Adjustment* [Docket No. 4202] at 2; Fifth Amended Order at 2.

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consideration of the Continuance Motion and respectfully submits that the Continuance Motion should be granted.

**Potentially Significant Adverse Changes Under Amended Plan**

8. As noted above, the City filed three days ago the amended Plan it had first promised parties weeks ago. [See Docket Nos. 6257, 6258.] While Syncora only received the amended Plan three days ago, it is obvious that the significant changes to the Plan could have a materially adverse effect on Syncora's potential recovery on its COP Claims and, without the requested adjournment, improperly impair Syncora's ability to prepare for the confirmation hearing and object to the Plan, as is Syncora's right under the Bankruptcy Code. *See* 11 U.S.C. § 1128(b).

9. From first glance, it is clear that the amended Plan includes much more than minor changes to address isolated settlements or other parochial matters. Instead, the amended Plan adds or substantially reinvents important provisions including, among other things:

- significantly changing the definition of "COP Claims" (and thereby changing the claims that constitute "COP Claims" and their classification);
- removing any possibility under the amended Plan of a settlement of the COPs invalidity litigation and instead creating a litigation trust with the sole purpose of litigating against the COPs trustee;
- capping, in any event, the potential recoveries for the COP Claims;
- providing amended exculpation and release provisions;

- setting forth new settlements (including the significantly expanded UTGO Settlement); and
- adding other material plan implementation provisions.

10. Further, despite filing the amended Plan, the City has still yet to provide many of the significant Plan-related documents described in the Continuance Motion (including, e.g., definitive documentation regarding the DIA “Grand Bargain”). As such, available documentation regarding the amended Plan remains deficient for the reasons discussed in the Continuance Motion.

11. As the Court implicitly recognized in the Continuance Notice, the changes set forth in the amended Plan are materially relevant to the relief requested in the Continuance Motion. The substantial revisions in the amended Plan filed three days ago (as well as other considerations set forth in the Continuance Motion and this Supplemental Statement) support the requested continuance: Syncora and other parties in interest (and the Court) must be provided with additional time to re-evaluate the proposed amended Plan because of the significant changes.

12. In light of all the reasons set forth in the Continuance Motion and this Supplemental Statement, all of the impending dates and deadlines related to the potential confirmation of the proposed amended Plan and the transactions contemplated thereby—including the hearing on the legality of the UTGO Settlement and deadlines to file supplemental plan objections and pre-trial briefs—

should be rescheduled approximately 45 days later. The proposed dates are as follows:

<b>Pre-Trial Deadline</b>	<b>Current Date</b>	<b>Proposed Date</b>
Hearing regarding the legality of the UTGO Settlement	July 31, 2014	September 12, 2014
Deadline to complete all depositions of experts and non-experts.	August 4, 2014	September 18, 2014
Deadline for any party that filed a timely objection to the plan to file a supplemental objection, but only to the extent that discovery or the results of plan voting give rise to additional or modified objections.	August 5, 2014	September 19, 214
Deadline (a) to submit a proposed joint final pretrial order in compliance with LBR 7016-1; (b) to file pretrial briefs; (c) for the City to file one combined response to supplemental objections to the plan and to objections filed by individual bondholders and individual retirees.	August 8, 2014	September 22, 2014
Pretrial conference on plan confirmation	August 12, 2014	September 26, 2014
Commencement of the hearing on plan confirmation	August 14, 2014	September 29, 2014

13. Accordingly, Syncora respectfully submits that the Court should grant the Continuance Motion.

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